

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

DECEMBER 28, 2001

IN RE:

**ACQUISITION BY 1-800-RECONEX, INC. OF CHOCTAW
COMMUNICATIONS, INC. d/b/a SMOKE SIGNAL
COMMUNICATIONS**

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**DOCKET NO.
01-00857**

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before the Tennessee Regulatory Authority (the "Authority") at the regularly scheduled Authority Conference held on November 6, 2001 for consideration of the Application (the "Application") of 1-800-RECONEX, Inc. ("RECONEX") pursuant to the provisions of Tenn. Code Ann. § 65-4-113, for approval of a transfer of authority to provide utility services.

Requirement of and Standards for Authority Approval

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) provides as follows:

(a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Application

RECONEX's Application is contained in a letter to the Authority dated September 24, 2001.¹ RECONEX requests that the Authority approve, pursuant to Tenn. Code Ann. § 65-4-113, a transaction in which RECONEX will acquire all of the issued and outstanding common stock of Choctaw Communications, Inc. d/b/a Smoke Signal Communications ("CCI") from CCI's parent company, VarTec Telecom. According to the Application, RECONEX was granted authority to resell telecommunications services in Tennessee by Order dated July 9, 1997 in Docket No. 97-01188. CCI was granted authority to resell telecommunications services in Tennessee by Order dated August 24, 1999 in Docket No. 99-00418.

The Application states that each company will continue to operate as it has to date, subject to the terms of each company's existing tariff, with CCI simply becoming a wholly-owned subsidiary of RECONEX. According to the Application, the proposed acquisition will produce significant economic, marketing, and administrative efficiencies, as well as increasing the financial base and strength of both companies. These efficiencies will allow each company to compete on a higher level with respect to the provision of local dial tone services, and in turn will increase competition in the state of Tennessee.

¹ The September 24, 2001 letter is a notification to the Authority of RECONEX's acquisition of CCI. Because, as explained below, this change in ownership involves a transfer of the authority to provide utility services held by CCI, approval by the Authority is required, and the Authority treated RECONEX's letter of notification as its Application for such approval.

Findings

The Directors of the Authority considered this matter at the November 6, 2001 Authority Conference. Based upon careful consideration of the Application, the Authority finds and concludes as follows:

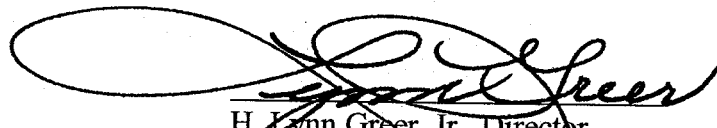
1. The Authority has jurisdiction over the subject matter of this Application pursuant to Tenn. Code Ann. § 65-4-113;
2. Choctaw Communications, Inc. d/b/a Smoke Signal Communications has been granted authority to provide telecommunication services in Tennessee;
3. Ownership of Choctaw Communications, Inc. d/b/a Smoke Signal Communications will be transferred to 1-800-RECONEX, Inc., resulting in a transfer of the authority granted Choctaw Communications, Inc. d/b/a Smoke Signal Communications to provide utility services;
4. Approval of the transfer of authority is appropriate pursuant to the provisions of Tenn. Code Ann. § 65-4-113.

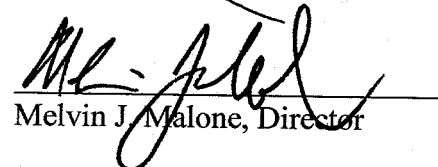
IT IS THEREFORE ORDERED THAT:

1. The Application of 1-800-RECONEX, Inc. for approval of the transfer of authority described herein is approved; and
2. Any party aggrieved by the Authority's decision in this matter may file a Petition

for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary